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85

SENATE STATE AFFAIRS COMMITTEE

BILL NUMBER SB 85

SPONSOR Governor

BILL TITLE Issuance of private activity bonds.

DATE REFERRED 1-9-89

HEARING SCHEDULED 2-1-89

FISCAL NOTE PREPARED ✓

SPONSOR CONTACTED Milt Barker 2350

INTERESTED PARTIES CONTACTED

Milt Barker, DOR 2350 - sending over
fid. law
left NO Jim Plasmann, CRA 4750
maybe ✓ Municipal League (Scott Burgess) 586-1325

OTHER

No. 3

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: "An act..issuance of private activity bonds.."
Sponsor: Rules Committee
Requestor: Governor

Agency Affected: Community & Regional Affairs
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Jim Plasman, Deputy Director Phone: 465-4750
 Division: Municipal & Regional Assistance Date: 11-15-88
 Approved by Commissioner: [Signature] Date: 15 NOV 88
 Agency: Community & Regional Affairs

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

STATE OF ALASKA
1988 LEGISLATIVE SESSION

Bill Version: SB 85 (b)
Publish Date: 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Revenue
Title: Issuance of Private Activity BRU: Treasury
Bonds _____
Sponsor: Rules Components: _____
Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LANDS & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page for analysis.

Prepared By: Milt Barker MB
Division: Treasury

Phone: 465-2350
Date: November 1, 1988

Approved by Commissioner: [Signature]
Agency: Department of Revenue

Date: 11/7/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 9, 1989

The Honorable Tim Kelly
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Kelly:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the issuance of private activity bonds.

The bill provides permanent authority for the state bond committee to allocate the private activity bond volume limit for Alaska. The bond committee was assigned this responsibility by ch. 81, SLA 1987. However, sec. 3 of ch. 81 repeals the committee's authority as of January 1, 1990. The attached bill would place, in statute, the temporary language that was enacted in sec. 1, ch. 81, SLA 1987.

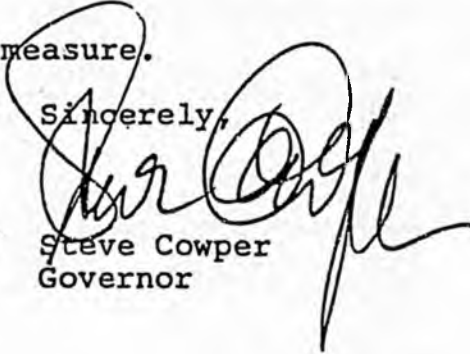
The private activity bond limit for Alaska under current federal law is \$150,000,000 each year. This limit on the amount of certain types of debt that can be issued as tax-exempt applies to Alaska Student Loan Corporation bonds, Alaska Housing Finance Corporation's first-time home buyer bonds, bonds for most Alaska Power Authority projects, and possibly certain bonds that would be issued by the Alaska Industrial Development and Export Authority or municipalities.

Legislation needs to be enacted in 1989 to avoid any hiatus in the authority of the State to allocate the volume limit. Failure to do so would cause the allocation to revert to

federal law. Federal law mandates a fixed percentage allocation to municipalities. It is unlikely that municipalities would use all or even a significant portion of their limit. They have used none of the limit so far. Thus, an absence of legislation could cause significant amounts of state debt to be issued without tax exemption. This would increase needlessly the interest costs on such debt.

I urge your support of this measure.

Sincerely,



Steve Cowper
Governor



Alaska State Legislature

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Senate State Affairs Committee Members

FROM: Senator Pat Pourchot, Chairman *Pat*

RE: February 1 Committee Hearing

DATE: January 30, 1989

On Wednesday, February 1 at 1:30 p.m. in the Beltz Room the State Affairs Committee will hear the following bills:

SB 23, An Act relating to the recording and collection of crime statistics.

SB 23 would authorize the Department of Public Safety to require the use of standardized methods of collecting and recording crime statistics by local police departments statewide.

This authorization was recommended in a March 1985 legislative audit conducted because of a dispute over juvenile crime statistics reported by the Department of Health and Social Services. The audit determined that inconsistencies in the way police departments throughout the state report crime statistics DPS was a possible reason for the dispute.

The Department of Public Safety acts as the primary collector and reporter of arrest data for the FBI under the terms of the Uniform Criminal Reporting code (UCR). The data is also organized into a state report that is published annually. In 1987, 27 of Alaska's 58 law enforcement agencies submitted data for the UCR.

The bill has a zero fiscal note.

SB 59, An Act relating to mandatory use of safety devices in motor vehicles.

SB 59 would make failure to wear a seatbelt an infraction carrying a fine of up to \$15, and would provide for the fine to be waived in lieu of a contribution to the local Emergency Medical Services entity. The bill exempts passengers in an

emergency vehicle, persons delivering mail or newspapers, persons in vehicles that are not equipped with seatbelts, and other persons as determined by regulation.

Under the bill, enforcement would occur secondary to other offenses. Peace officers would be prohibited from stopping a vehicle simply to determine if seatbelts are being worn; the officer must have probable cause to stop the vehicle for some other violation of law.

Current law regarding safety devices applies only to children under age seven. SB 59 would not substantively change these provisions. The bill has a zero fiscal note.

SB 85. An Act relating to the issuance of private activity bonds.

SB 85 would provide permanent authority for the state bond committee to allocate the private activity bond volume limit for Alaska. The 1987 law that assigned this responsibility to the bond committee expires January 1, 1990. If SB 85 is not enacted, the allocation authority will revert to federal law on that date.

The private activity bond limit for Alaska under federal law is \$150 million annually. This is the limit on the amount of certain types of debt that can be issued as tax exempt. Federal law mandates a fixed percentage of the limit to municipalities, a percentage it is unlikely municipalities will ever fully use. Continuing the state authorization will allow flexibility in the allocation of the tax exempt limit.

The language of SB 85 is identical to that of the temporary law enacted in 1987. The bill has a zero fiscal note.

SB 85, RELATING TO THE ISSUANCE OF PRIVATE ACTIVITY BONDS.

TO TESTIFY:

MILT BARKER, DEPT. REVENUE

OTHERS (SEE WITNESS LIST)

F.Y.I.

ACCORDING TO MILT BARKER, NO DISPUTES HAVE ARISEN REGARDING ANNUAL ALLOCATION OF THE BOND LIMIT. IN FACT, THE BOND COMMITTEE HAS HAD TO LOOK FOR PLACES TO ALLOCATE -- THERE JUST HASN'T BEEN MUCH DEMAND. MUCH HAS GONE UNUSED AND BEEN CARRIED FORWARD.

FEDERAL LAW REQUIRES THAT 50% OF THE LIMIT GO TO MUNICIPALITIES UNLESS STATE LAW PROVIDES OTHERWISE. (EXISTING TEMPORARY LAW AND SB 85 BOTH PROPOSE 25%). SPOKE TO SCOTT BURGESS, ALASKA MUNICIPAL LEAGUE. THEY SUPPORT SB 85 AS LONG AS LANGUAGE ALLOCATING 25% TO MUNICIPALITIES REMAINS (PAGE 1, LINES 13-14).

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE 1-26-89
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER FINANCE

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE 2-1-89

1/9/89

Mr. President:

STATE AFFAIRS Committee considered SB 85

issuance of private activity bonds; efd

and recommended:

- replace with CS _____ same title
- attached amendment(s) and new title
- _____ letter of intent adopted
- do pass
- do not pass
- no recommendation
- individual recommendations
- further referral to _____

FISCAL NOTE(S) attached zero
 appropriation no FN attached

fiscal impact
 Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Pat Faucher do pass
Chairman signature and recommendation

Committee backup attached

Sandra SB 85

ALASKA PRIVATE ACTIVITY BOND VOLUME CAP
 ALLOCATIONS, USE AND CARRYFORWARDS FROM INCEPTION

CALENDAR YEAR	TOTAL CAP	ALLOCATION	USE	CARRYFORWARD 1.
1986	\$250,000,000	\$125,000,000 TO AHFC \$125,000,000 TO ALL OTHER USERS	\$14,780,000 BY <u>AIDEA</u>	\$125,000,000 FOR AHFC 2. \$110,220,000 FOR STUDENT LOAN BONDS
1987	\$250,000,000	\$0	\$50,000,000 BY <u>AHFC</u>	\$185,590,000 TO AHFC 2. \$64,410,000 TO APA FOR POWER PROJECTS
1988	\$150,000,000	\$0	\$0	\$80,000,000 TO APA FOR SNETTISHAM FOR STUDENT LOAN BONDS
1989 (to date)	<u>\$150,000,000</u>	<u>\$0</u>	<u>\$83,795,000 BY <u>ASLC</u></u>	<u>\$70,000,000</u>
TOTAL	\$800,000,000	\$250,000,000	\$148,575,000	\$635,220,000

Carryforward didn't specify AK Student Loan Corp. (feds. law requires specify) - so under review by IRS. If IRS disallows, no carryforward for student loans - would have to come out of current year's allocation.

Bond counsel was concerned about this allocation - can it really be done in 3 yrs.?

UNUSED CARRYFORWARDS

AHFC	\$260,590,000	
APA	\$144,410,000	(FOR SPECIFICALLY NAMED PROJECTS)
ASLC	<u>\$96,425,000</u>	
TOTAL	\$501,425,000	

SPECIAL NOTE

hearing scheduled Feb. 6

An IRS ruling concerning of the 1986 carryforward for student loan bonds is pending. An unfavorable ruling could cause the 1986 carryforward to become unuseable. In that case a 1988 bond issue of the Alaska Student Loan Corporation ("ASLC") would use \$83,795,000 of the 1988 cap, leaving \$66,205,000 to carry forward for APA to purchase Snettisham. A ruling which did that would reduce unused carryforwards to the following amounts:

AHFC	\$260,590,000
APA	\$130,615,000
ASLC	<u>\$0</u>
TOTAL	\$391,205,000

NOTES

1. Carryforwards expire after three calendar years.
2. Under current Federal law AHFC will not be able to issue tax-exempt bonds for first time home-buyers after December 31, 1989.
3. No entity other than those identified in the tables has ever applied for an allocation of the private activity bond cap.

Anticipate FY 90?
 student loan \$20m

State GO bonds not part of this cap.

from DOR 2-1-89

SB 85

Amendments

P.L. 100-647, § 5053(a):

Act Sec. 5053(a) amended Code Sec. 145 by redesignating subsection (d) as subsection (e).

For a special effective date, see Act Sec. 5053(c), below.

Act Sec. 5053(c) provides:

(c) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to obligations issued after October 21, 1988.

(2) EXCEPTION FOR CONSTRUCTION OR BINDING AGREEMENT.—

(A) The amendments made by this section shall not apply to bonds (other than refunding bonds) with respect to a facility—

(i) the original use of which begins with the taxpayer, and the construction, reconstruction, or rehabilitation of which began before July 14, 1988, and was completed on or after such date, or

(ii) the original use of which begins with the taxpayer and with respect to which a binding contract to incur significant expenditures for construction, reconstruction, or rehabilitation was entered into before July 14, 1988, and some of such expenditures are incurred on or after such date, and

(iii) described in an inducement resolution or other comparable preliminary approval adopted by an issuing authority (or by a voter referendum) before July 14, 1988.

For purposes of the preceding sentence, the term "significant expenditures" means expenditures greater than 10 percent of

the reasonably anticipated cost of the construction, reconstruction, or rehabilitation of the facility involved.

(B) Subparagraph (A) shall not apply to any bond issued after December 31, 1989, and shall not apply unless it is reasonably expected (at the time of issuance of the bond) that the facility will be placed in service before January 1, 1990.

(3) REFUNDINGS.—The amendments made by this section shall not apply to any bond issued to refund (or which is part of a series of bonds issued to refund) a bond issued before July 15, 1988, if—

(A) the average maturity date of the issue of which the refunding bond is a part is not later than the average maturity date of the bonds to be refunded by such issue,

(B) the amount of the refunding bond does not exceed the outstanding amount of the refunded bond, and

(C) the proceeds of the refunding bond are used to redeem the refunded bond not later than 90 days after the date of the issuance of the refunding bond.

For purposes of subparagraph (A), average maturity shall be determined in accordance with section 147(b) of the 1986 Code.

P.L. 99-514, § 1301(b):

Act Sec. 1301(b) amended Part IV of subchapter B of chapter 1 by adding Code Sec. 145 to read as above.

For text of Part IV of subchapter B of chapter 1 prior to amendment see the amendment notes for Code Sec. 141.

The above amendment applies generally to bonds issued after August 15, 1986. However, for transitional rules, see Act Secs. 1312-1318 following Code Sec. 103.

[Sec. 146]

SEC. 146. VOLUME CAP.

[Section 146(a)]

(a) GENERAL RULE.—A private activity bond issued as part of an issue meets the requirements of this section if the aggregate face amount of the private activity bonds issued pursuant to such issue, when added to the aggregate face amount of tax-exempt private activity bonds previously issued by the issuing authority during the calendar year, does not exceed such authority's volume cap for such calendar year.

[Sec. 146(b)]

(b) VOLUME CAP FOR STATE AGENCIES.—For purposes of this section—

(1) IN GENERAL.—The volume cap for any agency of the State authorized to issue tax-exempt private activity bonds for any calendar year shall be 50 percent of the State ceiling for such calendar year.

(2) SPECIAL RULE WHERE STATE HAS MORE THAN 1 AGENCY.—If more than 1 agency of the State is authorized to issue tax-exempt private activity bonds, all such agencies shall be treated as a single agency.

[Sec. 146(c)]

(c) VOLUME CAP FOR OTHER ISSUERS.—For purposes of this section—

(1) IN GENERAL.—The volume cap for any issuing authority (other than a State agency) for any calendar year shall be an amount which bears the same ratio to 50 percent of the State ceiling for such calendar year as—

(A) the population of the jurisdiction of such issuing authority, bears to

(B) the population of the entire State.

(2) OVERLAPPING JURISDICTIONS.—For purposes of paragraph (1)(A), if an area is within the jurisdiction of 2 or more governmental units, such area shall be treated as only within the jurisdiction of the unit having jurisdiction over the smallest geographical area unless such unit agrees to surrender all or part of such jurisdiction for such calendar year to the unit with overlapping jurisdiction which has the next smallest geographical area.

anticipated cost of the construction, reconciliation of the facility involved.

Paragraph (A) shall not apply to any bond issued after 1989, and shall not apply unless it is issued (at the time of issuance of the bond) that was placed in service before January 1, 1990.

Section 5.—The amendments made by this section to any bond issued to refund (or which is part of a refund) a bond issued before July 1, 1986.

Paragraph (b) shall not apply to any bond issued after 1989, and shall not apply unless it is issued (at the time of issuance of the bond) that was placed in service before January 1, 1990.

Paragraph (A), average maturity shall be determined in accordance with section 147(b) of the 1986 Code.

(b)

Paragraph (b) amended Part IV of subchapter B of the Internal Revenue Code Sec. 145 to read as above.

Paragraph 1 of subchapter B of chapter 1 prior to the amendment notes for Code Sec. 141.

The amendment applies generally to bonds issued after 1986. However, for transitional purposes, sections 1312-1318 following Code Sec. 103.

If an issue meets the requirements of section 145, any bonds previously issued by the issuing authority for such calendar year shall not be treated as if they were issued pursuant to such issue, when such issue is issued pursuant to such issue, when such issue is issued pursuant to such issue.

Section—

State authorized to issue tax-exempt bonds for such calendar year shall not be treated as if they were issued pursuant to such issue, when such issue is issued pursuant to such issue.

Section 145.—If more than 1 agency of the State is authorized to issue tax-exempt bonds for such calendar year, all such agencies shall be treated as a single agency.

Section—

Paragraph (b) shall not apply to any bond issued after 1989, and shall not apply unless it is issued (at the time of issuance of the bond) that was placed in service before January 1, 1990.

Authority, bears to

Paragraph (1)(A), if an area is within the jurisdiction of the State, shall be treated as only within the jurisdiction of the State unless such unit agrees to issue tax-exempt private activity bonds for such calendar year to the unit with overlapping jurisdiction.

[Sec. 146(d)]

(d) STATE CEILING.—For purposes of this section.—

(1) IN GENERAL.—The State ceiling applicable to any State for any calendar year shall be the greater of—

- (A) an amount equal to \$75 multiplied by the State population, or
- (B) \$250,000,000.

Subparagraph (B) shall not apply to any possession of the United States.

(2) ADJUSTMENT AFTER 1987.—In the case of calendar years after 1987, paragraph (1) shall be applied by substituting—

- (A) "\$50" for "\$75", and
- (B) "\$150,000,000" for "\$250,000,000".

(3) SPECIAL RULE FOR STATES WITH CONSTITUTIONAL HOME RULE CITIES.—For purposes of this section.—

(A) IN GENERAL.—The volume cap for any constitutional home rule city for any calendar year shall be determined under paragraph (1) of subsection (c) by substituting "100 percent" for "50 percent".

(B) COORDINATION WITH OTHER ALLOCATIONS.—In the case of any State which contains 1 or more constitutional home rule cities, for purposes of applying subsections (b) and (c) with respect to issuing authorities in such State other than constitutional home rule cities, the State ceiling for any calendar year shall be reduced by the aggregate volume caps determined for such year for all constitutional home rule cities in such State.

(C) CONSTITUTIONAL HOME RULE CITY.—For purposes of this section, the term "constitutional home rule city" means, with respect to any calendar year, any political subdivision of a State which, under a State constitution which was adopted in 1970 and effective on July 1, 1971, had home rule powers on the 1st day of the calendar year.

(4) SPECIAL RULE FOR POSSESSIONS WITH POPULATIONS OF LESS THAN THE POPULATION OF THE LEAST POPULOUS STATE.—

(A) IN GENERAL.—If the population of any possession of the United States for any calendar year is less than the population of the least populous State (other than a possession) for such calendar year, the limitation under paragraph (1)(A) shall not be less than the amount determined under subparagraph (B) for such calendar year.

(B) LIMITATION.—The limitation determined under this subparagraph, with respect to a possession, for any calendar year is an amount equal to the product of—

(i) the fraction—

(I) the numerator of which is the amount applicable under paragraph (1)(B) for such calendar year, and

(II) the denominator of which is the State population of the least populous State (other than a possession) for such calendar year, and

(ii) the population of such possession for such calendar year.

Amendments

P.L. 100-647, § 1013(a)(40):

Act Sec. 1013(a)(40) amended Code Sec. 146(d)(4)(B) by striking out "with respect to a possession" and inserting in lieu thereof "with respect to a possession".

The above amendment is effective as if included in the provision of the Tax Reform Act of 1986 (P.L. 99-514) to which it relates.

[Sec. 146(e)]

(e) STATE MAY PROVIDE FOR DIFFERENT ALLOCATION.—For purposes of this section.—

(1) IN GENERAL.—Except as provided in paragraph (3), a State may, by law provide a different formula for allocating the State ceiling among the governmental units (or other authorities) in such State having authority to issue tax-exempt private activity bonds.

(2) INTERIM AUTHORITY FOR GOVERNOR.—

(A) IN GENERAL.—Except as otherwise provided in paragraph (3), the Governor of any State may proclaim a different formula for allocating the State ceiling among the governmental units (or other authorities) in such State having authority to issue private activity bonds.

(B) **TERMINATION OF AUTHORITY.**—The authority provided in subparagraph (A) shall not apply to bonds issued after the earlier of—

(i) the last day of the 1st calendar year after 1986 during which the legislature of the State met in regular session, or

(ii) the effective date of any State legislation with respect to the allocation of the State ceiling.

(3) **STATE MAY NOT ALTER ALLOCATION TO CONSTITUTIONAL HOME RULE CITIES.**—Except as otherwise provided in a State constitutional amendment (or law changing the home rule provision adopted in the manner provided by the State constitution), the authority provided in this subsection shall not apply to that portion of the State ceiling which is allocated to any constitutional home rule city in the State unless such city agrees to such different allocation.

[Sec. 146(f)]

(f) **ELECTIVE CARRYFORWARD OF UNUSED LIMITATION FOR SPECIFIED PURPOSE.**—

(1) **IN GENERAL.**—If—

(A) an issuing authority's volume cap for any calendar year after 1985, exceeds

(B) the aggregate amount of tax-exempt private activity bonds issued during such calendar year by such authority,

such authority may elect to treat all (or any portion) of such excess as a carryforward for 1 or more carryforward purposes.

(2) **ELECTION MUST IDENTIFY PURPOSE.**—In any election under paragraph (1), the issuing authority shall—

(A) identify the purpose for which the carryforward is elected, and

(B) specify the portion of the excess described in paragraph (1) which is to be a carryforward for each such purpose.

(3) **USE OF CARRYFORWARD.**—

(A) **IN GENERAL.**—If any issuing authority elects a carryforward under paragraph (1) with respect to any carryforward purpose, any private activity bonds issued by such authority with respect to such purpose during the 3 calendar years following the calendar year in which the carryforward arose shall not be taken into account under subsection (a) to the extent the amount of such bonds does not exceed the amount of the carryforward elected for such purpose.

(B) **ORDER IN WHICH CARRYFORWARD USED.**—Carryforwards elected with respect to any purpose shall be used in the order of the calendar years in which they arose.

(4) **ELECTION.**—Any election under this paragraph (and any identification or specification contained therein), once made, shall be irrevocable.

(5) **CARRYFORWARD PURPOSE.**—The term "carryforward purpose" means—

(A) the purpose of issuing exempt facility bonds described in 1 of the paragraphs of section 142(a).

(B) the purpose of issuing qualified mortgage bonds or mortgage credit certificates,

(C) the purpose of issuing qualified student loan bonds, and

(D) the purpose of issuing qualified redevelopment bonds.

Amendments

P.L. 100-647, § 1013(a)(9):

Act Sec. 1013(a)(9) amended Code Sec. 146(f)(5)(A) to read as above. Prior to amendment, Code Sec. 146(f)(5)(A) read as follows:

(A) the purpose of the issuing exempt facility bonds described in 1 of the paragraphs of section 142(a).

The above amendment is effective as if included in the provision of the Tax Reform Act of 1986 (P.L. 99-514) to which it relates.

P.L. 100-203, § 10631(b):

Act Sec. 10631(b) amended Code Sec. 146(f)(5)(A) to read as above. Prior to amendment, Code Sec. 146(f)(5)(A) read as follows:

(A) the purpose of issuing bonds referred to in one of the clauses of section 141(d)(1)(A).

For the effective date of the above amendment, see Act Sec. 10631(c), below.

P.L. 100-203, § 10631(c):

Act Sec. 10631(c) provides:

(c) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—Except as otherwise provided in this subsection, the amendments made by this section shall apply to bonds issued after October 13, 1987 (other than bonds issued to refund bonds issued on or before such date).

(2) **BINDING AGREEMENTS.**—The amendments made by this section shall not apply to bonds (other than advance refunding bonds) with respect to a facility acquired after

Chapter 81

AN ACT

Relating to the issuance of private activity bonds;
and providing for an effective date.

* Section 1. PRIVATE ACTIVITY BONDS. (a) As authorized under 26 U.S.C. 146(a), the state bond committee shall allocate the private activity bond volume limit for Alaska. Each year at least 25 percent of the limit shall be allocated to municipalities. If the committee determines that a portion of the limit allocated to municipalities will not be used by any municipality during that year, the committee may reallocate that portion.

(b) The committee may make a carryforward election under 26 U.S.C. 146(f) with respect to all or any portion of the private activity bond volume limit, including allocations that lapse under (c) or (d) of this section.

(c) An amount allocated under (a) of this section lapses on December 30 of the year in which the allocation was made unless

(1) the entity that received the allocation uses it before that date; or

(2) the amount allocated is the subject of a carryforward election under 26 U.S.C. 146(f).

(d) The committee may adopt regulations relating to the lapsing of amounts under (c) of this section. Regulations adopted under this subsection may establish times when allocated amounts will lapse in addition to the time provided in (c) of this section.

(e) In this section,

-1-

CSHB 285(Fin) am 5

Chapter 81

(1) "private activity bond" means a bond described in 26 U.S.C. 141;

(2) "private activity bond volume limit" means the maximum amount of private activity bonds that may be issued under 26 U.S.C. 146 during a calendar year in Alaska by all issuers, including the state, municipalities in the state, and public corporations that are agencies of either the state or a municipality in the state.

* Sec. 2. AS 18.56.104 is repealed.

* Sec. 3. Section 1 of this Act is repealed January 1, 1990.

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

18.56.104

EFF. 6/16/87

CSHB 285(Fin) am 5

-2-

Alaska MUNICIPAL League

TELEPHONE
(907) 586-1325

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Representative John Sund, Chair
Members of the House Judiciary Committee

FROM: Scott A. Burgess, Executive Director 

DATE: April 28, 1987

SUBJECT: HB 285 - Private Activity Bonds

The Alaska Municipal League is opposed to HB 285 unless a fair allocation of the federal volume limitation for the issuance of tax-exempt private activity bonds (PAE's) is insured for municipalities. A fair allocation of capacity is provided for in federal law, and must continue for potential economic growth of our communities. The AML believes that such provisions can be made and still meet the intent of the Governor's bill.

Relevant policies from the AML's 1987 Policy Statement include:

"The League urges that legislation be enacted to encourage local municipalities to adopt and implement incentives for economic development, such as joint public/private sector economic development corporations and tax increment financing authorities."

Legislation is needed to establish a state policy with regard to the allocation of authorization to issue industrial development bonds (IDB's)."

Priority should be given to local governments for no less than 50% of the available IDB authority."

As stated in Governor Cowper's Letter of Transmittal on HB 285 (House Journal, pages 917-918), the Tax Reform Act of 1986 combined the \$200 million limit on IDB's and mortgage subsidy bonds to a single \$200 million limit for PAB's. This will result in a 32% cut in bond activity in Alaska from 1985. The law provides that unless the Legislature, at the request of the Governor, does not act by December 31, 1987, the limit will be allocated fairly between the State and the municipalities, 50-50. While the AML may agree that many of our municipalities will not take advantage of PAB's, and that distributing the limit on a per capita basis does not make sense, we do not agree that the sole authority for allocation should rest with the state bond bank, on which the municipalities have no representation.

AML would support HB 285 only if it is amended to insure that municipalities are assured a fair allocation is reserved, 50%, for municipalities, and municipalities, through appointment by the AML, are represented on the state bond committee for the purposes of insuring the allocation to municipalities. With a clear reserving of a municipal

House Judiciary Committee Testimony on HB 285

April 28, 1987

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allocation under the the State's PAB cap, municipalities may be able to offer PAB funding to attract projects in their communities and offer such funding at a lower cost (e.g. administrative fees etc.) than through the state bond committee and Alaska Development Authority (AIDA). In addition, we would suggest that policy and criteria be developed by the State and municipalities to delineate which projects are authorized to receive PAB authority under the cap, e.g. jobs created etc. Finally, the AML would agree that a provision be made that if no municipality is interested or qualified (the project), the cap not be wasted and be released to the State for use or to be carried forward.

While many municipalities have not used bonding in recent years because of the State's oil wealth, we are experiencing reductions in state and federal funding at a time when economic growth and diversification is very important. Authority under the PAB cap for municipalities must be reserved as one mechanism to provide for economic development, now and in the future. The AML looks forward to working with the Committee and the Administration on reaching a mutually beneficial compromise on HB 285. Thank you.

ALASKA PRIVATE ACTIVITY BOND VOLUME CAP
ALLOCATIONS, USE AND CARRYFORWARDS FROM INCEPTION

CALENDAR YEAR	TOTAL CAP	ALLOCATION	USE	CARRYFORWARD 1.
1986	\$250,000,000	\$125,000,000 TO AHFC \$125,000,000 TO ALL OTHER USERS	\$14,780,000 BY AIDEA	\$125,000,000 FOR AHFC 2. \$110,220,000 FOR STUDENT LOAN BONDS
1987	\$250,000,000	\$0	\$50,000,000 BY AHFC	\$185,590,000 TO AHFC 2. \$64,410,000 TO APA FOR POWER PROJECTS
1988	\$150,000,000	\$0	\$0	\$80,000,000 TO APA FOR SNETTISHAM
1989 (to date)	\$150,000,000	\$0	\$83,795,000 BY ASLC	\$70,000,000 FOR STUDENT LOAN BONDS
TOTAL	\$800,000,000	\$250,000,000	\$148,575,000	\$635,220,000

UNUSED CARRYFORWARDS

AHFC	\$260,590,000	
APA	\$144,410,000	(FOR SPECIFICALLY NAMED PROJECTS)
ASLC	\$96,425,000	
TOTAL	\$501,425,000	

SPECIAL NOTE

An IRS ruling concerning of the 1986 carryforward for student loan bonds is pending. An unfavorable ruling could cause the 1986 carryforward to become unuseable. In that case a 1988 bond issue of the Alaska Student Loan Corporation ("ASLC") would use \$83,795,000 of the 1988 cap, leaving \$66,205,000 to carry forward for APA to purchase Snettisham. A ruling which did that would reduce unused carryforwards to the following amounts:

AHFC	\$260,590,000
APA	\$130,615,000
ASLC	\$0
TOTAL	\$391,205,000

NOTES

1. Carryforwards expire after three calendar years.
2. Under current Federal law AHFC will not be able to issue tax-exempt bonds for first time home-buyers after December 31, 1989.
3. No entity other than those identified in the tables has ever applied for an allocation of the private activity bond cap.

Have fiscal
note + Gov's
transmittal letter -
could copy
fed. law.

Mitt Barker ^{Revenue}

SB 85

1-18-89

most tax exempt bonds fall under ceiling -
1986? AK \$150m/yr

All must have allocation under ceiling - state
bond committee authorized to allocate. ^{annually} allocated

Authority expires 12/31/89 - don't know
why was temporary - maybe in case
was controversial

Zero disputes re allocation. Have
had to look for places to allocate each
yr 'cause not that much demand.

Most goes unused - so carry forward.

If state doesn't establish ceiling,
fed law requires 50% of ceiling
goes to municipalities.

No munis have issued yet!